



The President's Daily Brief

2 October 1971

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

Japanese business interests have begun pressing Sato to revalue the yen to help them secure export contracts, and some are ready to countenance his early resignation. (Page 1)

Podgorny arrives in Hanoi tomorrow in an apparent attempt to impress the North Vietnamese with the reliability of Moscow's support. (Page 2)

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JAPAN

Financial and industrial interests have begun pressing Sato to revalue the yen soon at a fixed parity rate in order to ease their difficulties in concluding export contracts. The Japan Committee for Economic Development--an influential group of major industrialists--has called on him to prepare to make necessary concessions to the US as well as to exert pressure on Washington to remove the import surcharge.

In a similar vein, four top businessmen told US Embassy officials Wednesday that they felt it was necessary to improve relations with the US and to remedy the sluggishness of the Japanese economy even if it meant concessions on the part of Japan and Sato's early resignation.

The erosion of Sato's support in the industrial community increases the chances that he may be forced to retire within the next few months.

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NOTES

USSR - North Vietnam: President Podgorny will arrive in Hanoi tomorrow with senior officials from the party and military, the Foreign Ministry, and both aid and trade departments. Moscow's purpose appears to be to impress the North Vietnamese with the reliability of Soviet support. The Russians had hoped to exploit the strain in Sino-Vietnamese relations caused by President Nixon's coming trip to Peking, but the recent visit to Hanoi by a high-level Chinese delegation will make Podgorny's task more difficult. Podgorny's visit may also be the occasion for the signing of the 1972 Soviet aid agreement with North Vietnam and for the commissioning of a hydroelectric power plant 100 miles northwest of Hanoi--Moscow's largest aid project in the country.

UK-Malta: British negotiators were struck by the tough attitude of the Maltese during the bilateral talks early this week on a new defense agreement. These discussions stem from the tentative agreement reached in mid-September between Heath and Mintoff setting a general framework for the detailed negotiations. Financial considerations were not discussed directly, but almost every topic raised by Malta's delegation had a money angle. Malta wants higher wage scales for British-employed Maltese laborers and assurances that there will be no layoffs at any UK bases on the island. London and its contributing NATO partners could find the bill for a new agreement considerably more than their tentative cash and aid offer of around \$24 million plus bilateral aid.

Egypt: Our analysis of the economic plans Sadat announced in his mid-September speech points to some chance of speeding economic growth with increased foreign investment, but also to several striking problems. Investments are to be channeled into "free zones" through a semi-autonomous financial institution in an effort to overcome Egypt's generally poor financial reputation, but the ability of Egyptian managers to function outside the conventional bureaucracy remains to be tested. In addition, opposition to Sadat, already latent because of his dealings with the US, could build around emotional fears of "foreign capitalistic exploitation."

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